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SUBJECT: ITALIAN VIEWS ON WTO MINISTERIAL IN CANCUN

REF: ROME 4020

Classified By: ECONOMIC MINISTER-COUNSELOR SCOTT KILNER FOR REASONS 1.5
(B) AND (D)

Introduction and Summary

1. (C) Italy views the intransigence of G-20 middle-income countries as the reason for the breakdown of the Cancun WTO ministerial meeting. Amedeo Teti, Director General For Commercial Agreements, Ministry of Productive Activities (Foreign Trade) and Federico Eichberg, senior advisor to Foreign Trade Vice Minister Adolfo Urso, denied reports that EU inflexibility on the four Singapore issues was responsible for the collapse. Both saw the surprising strength of NGOs at Cancun, and their influence on the poorest WTO members, as an unwelcome development; and they agreed that political polarization within the WTO discouraged meaningful negotiations. In an effort to rebuild trust with the developing world, especially the poorest countries, Italy was reviewing a range of possibilities, including a more thorough evaluation of cotton subsidies. Agriculture Minister Gianni Alemanno told Ecmin separately that Italy was pleased Cancun did not foreclose the possibility of enhanced WTO protection of geographical indications. End summary.

The G-20 and the UNGA-fication of the WTO

2. (C) Amedeo Teti and Federico Eichberg (members of the GOI delegation at Cancun) told Ecmin and econoffs October 8 that moving the WTO trade talks forward after Cancun will depend heavily on whether the G-20 maintains its cohesiveness. Our interlocutors believe the disruptive nature of the G-20 at Cancun could impede its long-term effectiveness, and the divergent positions of its members on the key issue of agriculture may prevent the G-20 from advancing meaningful proposals. While characterizing Brazil and India as the ringleaders, Eichberg observed that India was somewhat less obstructionist at Cancun than it had been at Doha; and he thought that China had not played a particularly assertive role.

3. (C) The U.S. is concerned that Cancun could foreshadow an increasingly politicized WTO, Ecmin noted, with ministerial sessions resembling the UN General Assembly more than trade negotiations. Both contacts said the GOI shared our view. Teti said endless speeches at Cancun prevented progress and limited actual negotiation to five hours, or so. He expressed frustration that the G-20's tactic of inflexibility actually worked against the interests of many individual G-20 countries.

4. (C) Ecmin recalled the cautious optimism we had shared with the GOI before Cancun (reftel), with resolution of the TRIPS/medicine access issue and the U.S.-EU agreement on a framework for agricultural talks. USDEL in Cancun was dismayed that some viewed the agricultural framework as a diktat forced upon the developing world. Eichberg agreed that the EU and the U.S. were well prepared for Cancun, and that the agricultural framework had been developed with transparency following requests from other WTO members at the Montreal mini-ministerial in August. (Teti wondered cynically whether some members at Montreal had encouraged the U.S.-EU framework agreement to create a rallying point for those opposed to progress at Cancun). Teti argued strongly that the U.S.-EU framework should remain in play; however, he did not think the revised draft Cancun Ministerial text dated September 13 (the last text on the table at Cancun regarding the full Doha Agenda) would be a useful document from which to move forward. Ecmin countered that the U.S. was ready to work with the September 13 draft Cancun Ministerial text; we had not yet received any word from Washington regarding the continued use of the U.S.-EU framework, however.

NGOs' Increasing Influence

5. (C) The U.S. thought NGOs had too much influence on many developing countries at Cancun, Ecmin stated. He added that

the WTO should work on building more trade capacity in developing countries to help them negotiate more effectively and independently. Italy shares our concerns, said Eichberg, who recounted his amazement at some NGOs' sophisticated public relations campaigns. He regretted such groups were allowed into the same conference center as the talks, since this access enabled them to dictate the positions of many of the poorest developing countries (including the surprising push on cotton subsidies made by several west African countries). Eichberg thought it unfortunate that political realities probably would impede any efforts to diminish NGO access at future trade talks.

16. (C) Econoff noted that the U.S. often included NGO advisors on our trade delegations, and gave advisors a role in the talks while ensuring some government influence on their activity. Teti responded that Urso was looking at the possibility of pursuing greater integration of some NGOs within the ministry. The difficulty lies in distinguishing those that could be helpful from the more extremist groups seeking to obstruct negotiations -- and, he said, there is a range of groups somewhere between the two extremes.

Singapore Issues

17. (C) Eichberg blamed NGOs for inflaming developing country views on the four Singapore Issues (investment, competition, transparency in government procurement, and trade facilitation). He thought the EU had not been excessively inflexible by insisting at first that all four issues be negotiated together, especially when one considered South Korea's much tougher position. Teti thought that faced with deadlock on other issues, Chairman Derbez had used intransigence over the Singapore Issues as an excuse to close the ministerial. (Teti added, however, that he sympathized with Derbez, who he believes may have called the talks off to keep a difficult situation from spiraling out of control).

Next Steps -- Cotton Subsidies and More

18. (C) Trade Vice Minister Urso now wants to develop approaches to rebuild trust with the developing world, according to Eichberg. Among the ideas being considered are increased efforts to foster trade facilitation, implementing the TRIPS/Medicine agreement, and making cotton subsidies a priority within the agriculture negotiations. Italy would like the WTO to pay attention in particular to the poorest developing countries, which had been less intransigent than the G-20 higher income developing countries. Teti noted that the unexpected escalation of the cotton subsidies issue had been difficult for the EU, since there was not enough time for all EU Member States to reflect and reach a unified negotiating position. He suggested the EU might propose to cut subsidies on cotton as well as on tobacco. Eichberg emphasized that cotton could not be a stand-alone issue, but would have to be considered in the context of the agricultural talks. Ecmin noted that the U.S. believed its proposal on cotton at Cancun had been constructive.

MinAg Still Hoping for Enhanced GI Protection

19. (C) Italian Minister of Agriculture Gianni Alemanno briefly offered additional GOI views on the Cancun talks in a luncheon attended by Ecmin October 8. Alemanno believes that Derbez cut off negotiations prematurely, at a point when various parties were posturing but not necessarily opposed to further negotiating. He said that the EU, the U.S. and others had underestimated the importance of the non-agricultural components of the talks. Alemanno and others in the GOI had also been concerned that the European Commission was going to sacrifice its position on geographical indications in order to break a logjam on other issues, based on alleged U.S. demands that the GOI later learned were not correct. Alemanno was grateful that in the end the door had not been firmly shut on enhancing GI protection within the WTO.

COUNTRYMAN

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